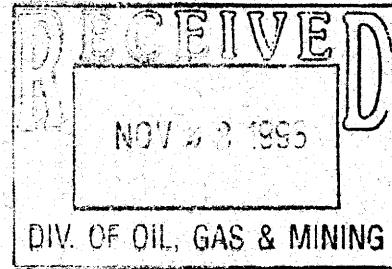


PEARL QUEEN PERLITE CORPORATION
P.O. BOX 490
533 S. INDUSTRIAL LOOP ROAD
MILFORD, UTAH 84751



MR. D. WAYNE HEDBERG
ADMINISTRATOR
UTAH DIVISION OF OIL, GAS AND MINING
355 WEST NORTH TEMPLE
3 TRIAD CENTER, SUITE 350
SALT LAKE CITY, UTAH 84180-1203

November 18, 1996

RE: Small Mine Permit #S/001/027 Annual Report for 1996.

Dear Mr. Hedberg:

We did not mine during the year, nor did we conduct sampling operations as we have in past years.

I am happy to report, however, that we will be mining in 1997. We are currently constructing perlite processing and loadout facilities at Milford, Utah, near the leased area. We have completed many parts of our facility: storage bin erection, railroad spur construction, and rotary kiln dryer implementation. We expect to complete construction in approximately 90 days.

We anticipate mining approximately 105,000 tons of perlite ore during our first full operational year which should include most of 1996.

I will keep you informed of our progress, and I appreciate your help and service in this endeavor.

Sincerely Yours:

A handwritten signature in cursive script, appearing to read "Danny Gatten".

Danny Gatten
Project Coordinator

encs.
DJG/djg
CC/STATEFILE

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